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**NATIONAL SECURITY AGENCY
CENTRAL SECURITY SERVICE**

FORT GEORGE G. MEADE, MARYLAND 20755

Serial: N0819

20 August 1980

DCI/RM 80-3359

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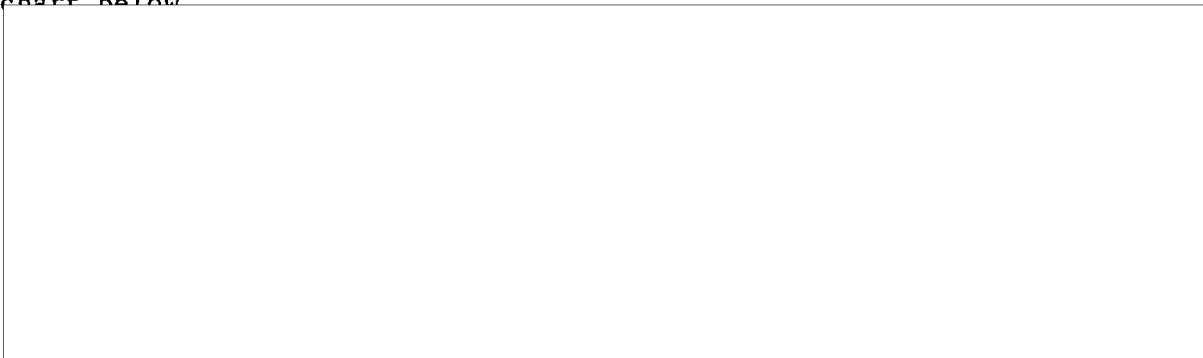
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MEMORANDUM FOR THE DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: Impact of New Inflation Indices and Pay Raise Factors (U)

- REFERENCES:**
- (a) DCI Memorandum dated 30 January 1980, Subject: National Foreign Intelligence Program and Resource Guidance, FY 1982-1986 (U)
 - (b) SecDef Memorandum dated 10 April 1980, Subject: Defense Intelligence Program Guidance Annex
 - (c) NFIP Resource Management Manual dated May 1980
 - (d) RMS Memorandum dated 28 May 1980, Subject: DCI Supplementary Program Letter: Pay Raise Factors (U)
 - (e) RMS Memorandum dated 6 August 1980, Subject: DCI Budget Supplementary Letter
 - (f) ASD (COMP) Memorandum dated 8 August 1980, Subject: Supplementary Instructions for the Preparation of FY 1981 Revised and FY 1982 Budget Estimates

1. (C) On several occasions, over an extended period, we have expressed considerable concern with the NFIP fiscal constraints which threaten the continuance of a wide array of critical SIGINT capabilities. Upon reviewing the most recently issued supplementary instructions for the budget submission (Reference (e)), we find that both the price escalation and pay raise factors have again been revised upward. While we welcome these more realistic indices, a concerted effort must be made so that fiscal guidance is adjusted accordingly. Using your approved figures, real purchasing power for the non-pay portion of the CCP already declines by about 22 percent from FY 1982-FY 1986. Absorbing the impact of additional inflation and new pay raises produces even starker results (-28 percent). This trend, which is quite disturbing, will quickly have a devastating effect on the CCP if it is not rectified and reversed. At the DCI guidance level, especially, the problem is particularly acute as can be seen from the chart below



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2. (U) It is imperative that we preclude, to the extent that they are recognized, built-in shortfalls which erode our capabilities and impair our ability to execute effectively. Instructions provided by the DoD Comptroller indicate that fiscal guidance levels should be exceeded to accommodate the impact of pay raise and inflation differentials. To reflect the best possible estimate of full costs, which is basic DCI policy (Reference (c)), and to insure consistency with the DoD submission, DCI guidance should be raised. Unless specific guidance is received to the contrary, we will consider the indicated amounts as additive to the levels promulgated by the DDCI/RMS in his memorandum of 1 August 1980.

3. (U) Increases required as a result of the updated indices are identified at the Enclosure for both the DCI and PMRP levels. Also included are the differences between the total amount allotted to (and employed by) the CCP for pay raises and the actual amount required based on the initial factors. In calculating the revised pay raises effective 1 October 1980, we have used the percentage (11.7 percent) furnished by DoD (Reference (f)), rather than the lower figure contained in Reference (e).

 ional details on these projections your staff may contact X3004s, in my Office of Budget and Programs.

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B. R. INMAN
Vice Admiral, U. S. Navy
Director, NSA/Chief, CSS

Encl:
a/s

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DOLLAR ADJUSTMENTS REQUIRED
AT DCI GUIDANCE LEVEL

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Enclosure

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